

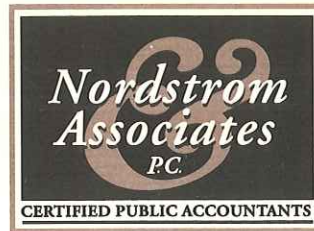
CITY OF FLAGSTAFF, ARIZONA
SINGLE AUDIT REPORT PACKAGE

JUNE 30, 2001

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MEMBERS
American Institute of
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of the City Council
City of Flagstaff, Arizona

We have audited the general purpose financial statements of City of Flagstaff, Arizona (the City), as of and for the year ended June 30, 2001, and have issued our report thereon dated September 13, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such as opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

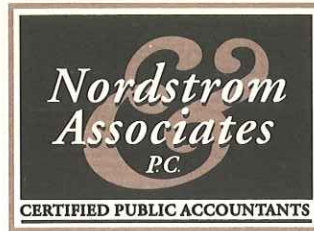
In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

This report is intended for the information of the audit committee, management, others within the organization, the city council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nordstrom & Associates, P.C.

Flagstaff, Arizona
September 13, 2001

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Members of the City Council
City of Flagstaff, Arizona

COMPLIANCE

We have audited the compliance of City of Flagstaff, Arizona (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major programs for the year ended June 30, 2001. The City's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all such internal control matters that might be material weaknesses. A material weakness is a condition in which the design or operation of one of more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the general purpose financial statements of the City as of and for the year ended June 30, 2001, and have issued our report thereon dated September 13, 2001. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the audit committee, management, others within the organization, the city council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nordstrom & Associates, P.C.

Flagstaff, Arizona
September 13, 2001

CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2001

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of City of Flagstaff, Arizona.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the general purpose financial statements of the City were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for the City.
7. The programs tested as major programs included: Airport Improvement Program, CFDA Number 20.106 and Byrne Formula Grant Program, CFDA Number 16.579.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was determined to be a low-risk auditee.

CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2001

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT/ GRANT NUMBER	AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2000	RECEIPTS	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2001
<i>Department of Housing and Urban Development</i>							
<i>Direct Programs:</i>							
Community Development Block Grant	14.218	B-97-MC-04-0510	\$ 740,000	\$ 66,320	\$ 66,320	\$ -	\$ -
Community Development Block Grant	14.218	B-98-MC-04-0510	728,000	95,814	171,887	96,621	20,548
Community Development Block Grant	14.218	B-99-MC-04-0510	732,000	14,729	335,276	363,627	43,080
Community Development Block Grant	14.218	B-00-MC-04-0510	732,000	-	251,298	340,118	88,820
Total Department of Housing and Urban Development				176,863	824,781	800,366	152,448
<i>Bureau of Land Management</i>							
<i>Passed through Northern Arizona University</i>							
Cultural Resource Management	15.224	PAA 01 7002	182,207	-	-	88,826	88,826
Total Bureau of Land Management				-	-	88,826	88,826
<i>Office of Justice Programs</i>							
<i>Passed through Arizona Governor's Office</i>							
<i>for Domestic Violence Prevention:</i>							
Violence Against Women Formula Grants	16.588	A9-0078-009	78,000	21,019	46,933	25,914	-
Total Office of Justice Programs				21,019	46,933	25,914	-
<i>Bureau of Justice Assistance</i>							
<i>Direct Programs:</i>							
Local Law Enforcement Block Grant	16.592	98-LB-VX-3736	73,462	73,462	73,462	-	-
Local Law Enforcement Block Grant	16.592	99-LB-VX-7699	71,493	-	71,493	25,751	(45,742)
Local Law Enforcement Block Grant	16.592	00-LB-BX-0051	53,901	-	53,901	53,901	-
Bulletproof Vest Partnership Program	16.607	00002417	8,876	-	2,346	7,435	5,089
Subtotal				73,462	201,202	87,087	(40,653)
<i>Passed through Arizona Criminal Justice Commission</i>							
Byrne Formula Grant Program	16.579	AL-140-00	292,249	74,628	74,628	-	-
Byrne Formula Grant Program	16.579	AL-140-01	292,484	-	209,350	292,484	83,134
Subtotal				74,628	283,978	292,484	83,134
Total Bureau of Justice Assistance				148,090	485,180	379,571	42,481

CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2001

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT/ GRANT NUMBER	AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2000	RECEIPTS	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2001
<i>Department of Justice</i>							
<i>Direct Programs:</i>							
Executive Office of Weed and Seed	16.595	1999 Weed and Seed	\$ 50,000	\$ 17,381	\$ 11,059	\$ 20,322	\$ 26,644
Cops Universal Hiring Program	16.710	95-CF-WX-3033	750,000	73,146	161,822	134,595	45,919
Total Department of Justice				90,527	172,881	154,917	72,563
<i>Federal Aviation Administration</i>							
<i>Direct Programs:</i>							
Airport Improvement Program	20.106	AIP 3-04-0015-16	500,000	48,435	48,435	-	-
Airport Improvement Program	20.106	AIP 3-04-0015-17	1,867,428	15,192	43,299	775,728	747,621
Airport Improvement Program	20.106	AIP 3-04-0015-18	136,336	-	101,612	101,612	-
Airport Improvement Program	20.106	AIP 3-04-0015-19	1,650,000	-	66,268	66,268	-
Airport Improvement Program	20.106	AIP 3-04-0015-20	3,802,808	15,754	-	494,334	510,088
Total Federal Aviation Administration				79,381	259,614	1,437,942	1,257,709
<i>Department of Transportation</i>							
<i>Passed through Arizona Department of Transportation:</i>							
Highway Planning and Construction-1999 SPR	20.205	T00-49-A0013	67,000	41,707	41,707	-	-
Highway Planning and Construction-2000 PL	20.205	T00-49-A0013	31,722	22,000	31,721	9,721	-
Highway Planning and Construction-2000 SPR	20.205	T00-49-A0013	67,000	29,948	48,869	37,052	18,131
Highway Planning and Construction-2001 PL	20.205	T00-49-A0013	50,000	-	13,029	41,499	28,470
Highway Planning and Construction-2001 SPR	20.205	T00-49-A0013	80,000	-	-	12,234	12,234
Highway Planning and Construction-2001 FHWA	20.205	T00-49-A0013	532,630	42,435	-	79,628	122,063
Subtotal				136,090	135,326	180,134	180,898
<i>Passed through Arizona Governor's Office of Public Safety:</i>							
State and Community Highway Safety	20.600	2000-AL-015	40,800	17,657	31,404	13,747	-
Total Department of Transportation				153,747	166,730	193,881	180,898
<i>Federal Transit Administration</i>							
<i>Passed through Arizona Department of Transportation:</i>							
Highway Planning and Construction-1998 FTA(0	20.514	T00-49-A0013	20,000	7,539	7,539	-	-
Highway Planning and Construction-2000 FTA(0	20.514	T00-49-A0013	20,343	-	20,343	20,343	-
Highway Planning and Construction-2001 FTA(0	20.514	T00-49-A0013	47,246	-	-	2,434	2,434
Total Federal Transit Administration				7,539	27,882	22,777	2,434

See the accompanying notes to this schedule.

CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2001

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT/ GRANT NUMBER	AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2000	RECEIPTS	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2001
<i>Direct Programs:</i>							
Bureau of Alcohol, Tobacco and Firearms							
Alcohol, Tobacco and Firearms-Training Assistant 21.052	21.052	ATC000108	\$ 54,600	\$ 19,337	\$ 54,600	\$ 35,263	\$ -
Alcohol, Tobacco and Firearms-Training Assistant 21.052	21.052	ATC010066	55,000	-	-	25,307	25,307
Total Bureau of Alcohol, Tobacco and Firearms				19,337	54,600	60,570	25,307
Institute of Museum and Library Services <i>Passed through State of Arizona Department of Library, Archives and Public Records:</i>							
State Library Program	45.310	981-3-2-(2)	7,770	(2,388)	-	-	(2,388)
State Library Program	45.310	981-2-5-(1)	7,962	(1,348)	-	1,348	-
Total Institute of Museum and Library Services				(3,736)	-	1,348	(2,388)
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 692,767	\$ 2,038,601	\$ 3,166,112	\$ 1,820,278

CITY OF FLAGSTAFF, ARIZONA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2001

Note 1 - Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Amounts presented on the Schedule are recorded in the General, Special Revenue and Enterprise Funds.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the 2001 *Catalog of Federal Domestic Assistance*.

Note 3 - Subrecipients

From the federal expenditures presented in the schedule, the City expended the following to subrecipients.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
Community Development Block Grant	14.218	\$ 812,607

CITY OF FLAGSTAFF, ARIZONA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2001

Note 4 – Pass-Through Grantor's Reference

The following are nonfederal agencies that have passed through federal monies to the City:

<u>Pass-Through Agency</u>	<u>Pass-Through Grantor Number</u>
Northern Arizona University:	
Cultural Resource Management	PAA 01 7002
Arizona Governor's Office for Domestic Violence Prevention:	
Stop Violence Against Women Grant	A9-0078-009
Arizona Criminal Justice Commission:	
Byrne Formula Grant Program	AL-140-00
Byrne Formula Grant Program	AL-140-01
State of Arizona Department of Library, Archives and Public Records:	
State Library Program	981-3-2-(2)
State Library Program	981-2-5-(1)
Arizona Department of Transportation:	
Highway Planning and Construction	T00-49-A0013
Arizona Governor's Office of Public Safety:	
State and Community Highway Safety	2000-AL-015